

AR49

# Scottish and York Annual Report 1974

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York Rm.  
Royal York



### **Board of Directors**

R. D. ABBOT  
R. W. BROUGHTON  
S. F. CHAPMAN  
K. H. DOYLE  
S. L. McCABE  
A. D. McEWEN  
K. R. THOMSON  
J. A. TORY  
W. G. HOLBROOK

### **Officers**

K. R. THOMSON — *Chairman of the Board*  
K. H. DOYLE — *President*  
R. W. BROUGHTON — *Executive Vice-President*  
S. F. CHAPMAN — *Vice-President, Finance*  
J. A. TORY — *Vice-President*  
W. G. HOLBROOK — *Vice-President*  
D. A. BOYD — *Assistant Vice-President*  
R. D. ABBOT — *Secretary-Treasurer*  
N. W. McDERMOTT — *Assistant Secretary-Treasurer*

### **Transfer Agent**

MONTREAL TRUST COMPANY

### **Auditors**

THORNE RIDDELL & CO.

### **Bankers**

THE ROYAL BANK OF CANADA

### **Executive Office**

155 UNIVERSITY AVE., TORONTO, CANADA

SCOTTISH & YORK HOLDINGS LIMITED



**SCOTTISH & YORK INSURANCE COMPANY LIMITED**  
**VICTORIA INSURANCE COMPANY OF CANADA**

***Officers***

THE RT. HON. LORD THOMSON OF FLEET

K. H. DOYLE

S. F. CHAPMAN

R. W. BROUGHTON

W. G. HOLBROOK

R. D. ABBOT

N. W. McDERMOTT

D. A. BOYD

**VICTORIA INSURANCE COMPANY LIMITED**  
**(NASSAU, BAHAMAS)**

**CENTRAL CANADA INSURANCE SERVICE LIMITED**

**ONTARIO INSURANCE SERVICE**

**OVERSEAS INSURANCE SERVICES**  
**(UNITED KINGDOM)**

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Yale.

**SCOTTISH & YORK HOLDINGS GROUP**



## ***To The Shareholders***

1974 was a disastrous year for the general insurance industry in North America. The effects of inflation, including escalating repair costs and judgments, have combined to produce a new low for the industry. During the year, your company continued to out-perform the industry. We were successful in maintaining the profitability of our direct underwriting operations. Our current book of assumed reinsurance also contributed to income despite catastrophic losses in the U.S.A. and Australia. We are confident this area will contribute to earnings in future years. Unfortunately, adverse experience on reinsurance contracts no longer in force continued to influence overall performance in 1974 resulting in an underwriting loss for the year. As a result, the directors had no alternative but to discontinue our dividend policy until an uptrend in earnings is established. Consolidated net earnings declined to \$827,185 or 13.8¢ per common share compared with \$1,390,159 or 23.2¢ per share in the previous year.

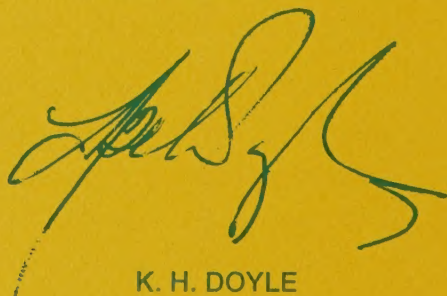
There have been no significant changes in the status of the tax assessments against Victoria Insurance Company Limited, our wholly owned Bahamian reinsurance subsidiary. Notices of appeal against these assessments have been filed. It is our intention to notify shareholders immediately of any developments which may occur in this area.

The general insurance industry is becoming an ever increasing challenge. We feel your company is fully equipped to meet this challenge and, through the combined efforts of management and staff, that it will continue to enjoy profit levels exceeding those of the industry.

I look forward to seeing many of you at the annual meeting to be held on May 22nd, 1975 at the Royal York Hotel, Toronto.

The Directors wish to extend their thanks to the officers and employees for their dedicated efforts throughout 1974.

*Submitted on behalf of the  
Board of Directors*

A large, stylized handwritten signature in dark ink, likely belonging to K. H. Doyle, the President.

K. H. DOYLE  
President



SCOTTISH & YORK HOLDINGS LIMITED  
and subsidiary companies

***Auditors' Report***

To the Shareholders of  
Scottish & York Holdings Limited

We have examined the consolidated balance sheet of Scottish & York Holdings Limited and subsidiary companies as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion subject to the adjustment, if any, as may be required when the outcome of the income tax assessment referred to in note 3 is known, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada  
February 28, 1975

THORNE GUNN & CO.,  
Chartered Accountants.



**SCOTTISH & YORK HOLDINGS LIMITED** (Incorporated under the laws of C  
**CONSOLIDATED BALANCE SHEET - DECEMBER 31, 1974** (with co

**ASSETS**

	<u>1974</u>	<u>1973</u>
Cash .....	\$ 202,809	\$ 611,370
Marketable securities		
Term deposits .....	9,742,030	11,410,712
Bonds, at cost or amortized cost and accrued interest (market value 1974, \$7,520,236; 1973, \$6,684,245) .....	8,721,853	7,322,753
Stocks, at cost (market value 1974, \$2,865,366; 1973, \$3,208,362) .....	4,445,060	4,035,481
Accounts receivable .....	2,662,766	2,130,504
Income and premium taxes recoverable .....	15,740	
Furniture, fixtures and automobiles, at cost less accumulated depreciation 1974, \$60,897; 1973, \$58,308 .....	48,617	28,807
Agencies, agreements and contracts, at cost .....	110,116	110,116
Premium paid on acquisition of shares of subsidiary companies .....	65,037	65,037
	<u>\$26,014,028</u>	<u>\$25,714,780</u>

Approved on behalf of the Board

K. H. DOYLE, Director

R. D. ABBOT, Director



# o) AND SUBSIDIARY COMPANIES

ative figures at December 31, 1973)

## LIABILITIES

	<u>1974</u>	<u>1973</u>
Bank loan .....		\$ 500,000
Accounts payable and accrued liabilities .....	\$ 2,645,575	1,764,055
Customers' deposits .....	26,250	28,750
Dividends payable .....		270,000
Provision for outstanding claims .....	11,307,372	10,796,303
Income and premium taxes payable .....		172,933
Deferred revenue .....	4,837,483	5,002,818
Interest of minority common shareholders of subsidiary companies .....	40,687	40,445
	<u>18,857,367</u>	<u>18,575,304</u>

## SHAREHOLDERS' EQUITY

Capital stock		
Authorized		
10,000 First preference shares, par value		
\$50 each, issuable in series		
8,000,000 Common shares without par value		
Issued		
6,000,000 Common shares .....	501,000	501,000
Retained earnings .....	6,655,661	6,638,476
	<u>7,156,661</u>	<u>7,139,476</u>
	<u>\$26,014,028</u>	<u>\$25,714,780</u>



# SCOTTISH & YORK HOLDINGS LIMITED

## and subsidiary companies

### CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	1974	1973
Gross premiums written and other income .....	\$21,759,939	\$24,663,720
Income before undernoted items .....	\$ 1,256,961	\$ 1,924,886
Income taxes .....	429,534	536,558
	827,427	1,388,328
Interest of minority common shareholders of subsidiary companies .....	242	(1,831)
Net income for the year .....	\$ 827,185	\$ 1,390,159
Net income per share .....	13.8¢	23.2¢

### CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	1974	1973
Balance at beginning of year .....	\$6,638,476	\$6,328,317
Net income for the year .....	827,185	1,390,159
	7,465,661	7,718,476
Dividends on common shares .....	810,000	1,080,000
Balance at end of year .....	\$6,655,661	\$6,638,476

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1974

#### 1. BASIS OF CONSOLIDATION

The consolidated financial statements include all the subsidiary companies, which are:

Scottish & York Insurance Co. Limited  
Central Canada Insurance Service Limited  
Victoria Insurance Company of Canada  
Victoria Insurance Company Limited

#### 2. OTHER STATUTORY INFORMATION

	1974	1973
Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) .....	\$169,006	\$148,219
Depreciation .....	12,370	9,200

#### 3. CONTINGENT LIABILITIES

A wholly owned subsidiary company, Victoria Insurance Company Limited, has



# SCOTTISH & YORK HOLDINGS LIMITED

## and subsidiary companies

### CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED DECEMBER 31, 1974 (with comparative figures for 1973)

	1974	1973
<b>Resources provided</b>		
Operations (as outlined below)	\$1,534,789	\$3,792,690
Decrease in cash	408,561	
Decrease in term deposits	1,668,682	
Bank loan		500,000
Net change in other assets and liabilities		157,062
	<u>\$3,612,032</u>	<u>\$4,449,752</u>
<b>Resources applied</b>		
Dividends on common shares	\$ 810,000	\$1,080,000
Increase in term deposits		1,424,651
Purchase of marketable securities, net		
Bonds	1,399,100	1,823,254
Stocks	409,579	97,187
Increase in cash		24,660
Bank loan	500,000	
Net changes in other assets and liabilities	493,353	
	<u>\$3,612,032</u>	<u>\$4,449,752</u>
<b>Operations</b>		
Net income	\$ 827,185	\$1,390,159
Items not involving cash		
Depreciation	12,370	9,200
Interest of minority common shareholders of subsidiary companies	242	(1,831)
Increase (decrease) in deferred revenue	(165,335)	913,041
Increase in provision for outstanding claims	511,069	1,246,910
Increase in accounts payable and accrued liabilities	881,520	66,947
Decrease (increase) in accounts receivable	(532,262)	168,264
Resources provided from operations	<u>\$1,534,789</u>	<u>\$3,792,690</u>

been assessed Federal income taxes relating to the years 1968, 1969 and 1970 amounting to approximately \$1,000,000 including interest to November 30, 1973. A notice of objection was filed with respect to these assessments in 1974 and Revenue Canada, Taxation reconfirmed the assessments on February 6, 1975.

The company intends to appeal these assessments to the Tax Review Board or to the Federal Court of Canada.

Scottish & York Holdings Limited has deposited its share investment in Scottish & York Insurance Co. Limited and Victoria

Insurance Company of Canada with the Royal Bank of Canada to be held as security until the outcome of this assessment is known.

#### 4. COMPARATIVE FIGURES

The comparative figures for 1973 have been reclassified to conform with financial statement presentation adopted for 1974.

#### 5. LONG TERM LEASE

The company leases office space in a building at 155 University Avenue, Toronto, for a term expiring in 1984 with an option to extend this to 1994. The annual rental is approximately \$57,000.



# SCOTTISH & YORK HOLDINGS GROUP

## *Five Year Performance Record*

YEAR	GROSS PREMIUMS WRITTEN	NET PREMIUMS WRITTEN	DEFERRED REVENUE
1974	19,975,895	13,812,615	4,837,483
1973	23,223,028	16,151,894	5,002,818
1972	21,984,441	15,594,384	4,089,777
1971	21,585,228	14,782,791	4,194,749
1970	16,619,886	11,048,244	3,347,203

**NOTE:** Per share amounts prior to 1972 adjusted for two for one subdivision of capital stock made in November 1972 and November 1971.



INCOME BEFORE TAXES	INCOME TAXES	NET INCOME	EARNINGS PER SHARE	DIVIDENDS PAID PER SHARE
1,256,719	429,534	827,185	13.8¢	13.5¢
1,926,717	536,558	1,390,159	23.2¢	18¢
2,302,851	605,774	1,697,077	28.3¢	16¢
2,972,270	717,639	2,254,631	37.5¢	13¢
2,257,036	694,032	1,563,004	26¢	9¢



